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A handbook of
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A HANDBOOK OF INFORMATION
ON PROVISIONS OF
THE HOUSING ACT OF 1949
AND
OPERATIONS UNDER THE
VARIOUS PROGRAMS

SLUM CLEARANCE HOUSING RESEARCH
PUBLIC HOUSING FARM HOUSING
SUMMARY OF THE ACT



HOUSING AND HOME FINANCE AGENCY
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

(Revised May 1950)

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FOREWORD

This booklet is intended to provide information on proposed operations under the various provisions of the Housing Act of 1949. Title II is not covered since it is merely a temporary extension of certain existing Federal Housing Administration mortgage-insurance operations for which further continuation is provided in other legislation since enacted by the Congress.

The information in this booklet does not attempt to be an exhaustive treatment of all details of the act nor to answer all of the questions that have been or will be raised. It is intended primarily to highlight and amplify the major phases of the act which are of greatest interest to the general public.

The material herein has been prepared and assembled by the Office of the Administrator of the Housing and Home Finance Agency in cooperation with the staff of the Senate Committee on Banking and Currency and with the Public Housing Administration and the Farmers Home Administration, United States Department of Agriculture.

Federal responsibilities under the slum clearance and housing research programs are being administered directly by the Office of the Administrator in the HHFA, and those of the public housing program by its constituent, the Public Housing Administration. The farm housing program is being administered by the United States Department of Agriculture, principally through the Farmers Home Administration.

Inquiries regarding the various programs or the act as a whole may be addressed to the Office of the Administrator, Housing and Home Finance Agency, Washington 25, D. C. Inquiries regarding particular programs under the act may be sent directly to the office of the administering agency, as given above, or to its nearest field office.

RAYMOND M. FOLEY,
Administrator, Housing and Home Finance Agency.



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THE HOUSING ACT OF 1949—WHAT IT IS AND HOW IT WORKS

TITLE I

SLUM CLEARANCE AND URBAN REDEVELOPMENT

PROBLEM

Practically every city in the United States, both large and small, contains slum and other blighted or deteriorated areas which are major civic liabilities, unsound both economically and socially.

One of the main obstacles to clearance of slums and blighted areas is cost. Generally, the cost of acquiring an existing slum area at its current market value, and of clearing and preparing it for redevelopment is greater than the value of the land when redeveloped for its most appropriate uses. Furthermore, the large amounts of capital needed to finance large-scale clearance and redevelopment of slums and other blighted areas are generally unavailable either through city resources or private investment.

Chiefly because of this cost neither private enterprise, nor local communities with their limited sources of revenue, have been able to make much headway in effective slum clearance.

Another major obstacle is the problem of providing adequate rehousing for families displaced when slums are cleared. Lack of adequate housing for these displaced families to live in has made it impossible for most cities to clear slums and blighted areas on any large scale.

THE PURPOSE OF SLUM CLEARANCE

The Housing Act of 1949 recognizes slums as a national problem. A person who becomes a juvenile delinquent or a tuberculosis case because of slum conditions is no less a national than a local liability. A slum neighborhood that requires more than its proportionate share of health and welfare services is a drain on national as well as local resources, and seriously affects the development of good citizenship and confidence in the values of democracy.

Here, briefly, is the principle behind title I of the Housing Act of 1949: From any angle—citizenship, health, appearance, taxes, or property protection—it is better to pay now for the cost of clearing slums and thereby get rid of them than to continue paying the mounting costs of slums and suffer their destructive effects upon human lives and property indefinitely.

The Housing Act makes possible, for the first time in our history, a comprehensive attack upon slums and blighted areas by local communities. It provides the leverage that cities have long needed to get

their redevelopment programs going. First, it attacks the obstacles of large capital outlays and high write-down costs for preparing slum lands for reuse by authorizing the Federal Government to make loans for acquiring, clearing, and preparing the area and to make Federal grants to pay up to two-thirds of the net cost incurred.

Second, the Housing Act of 1949 helps remove the road block of rehousing. It requires cities applying for Federal loans and grants to prepare solid plans for temporary accommodations, where needed, and permanent relocation in decent quarters of people who have to leave slum areas because of clearance operations. Under title III it provides financial assistance to localities for 810,000 units of public housing in which priority must be given to eligible low-income families displaced by slum-clearance projects. Under title I it offers loans to acquire open land which is to be developed for primarily residential purposes, thus opening up space to assist construction to provide rehousing for those having to leave slum-clearance sites, and helping to relieve the pressure of overcrowding in present and soon-to-be-torn-down slums.

Financial aid under title I generally may be used only to acquire, clear, prepare, and dispose of the land. It is not available for construction of buildings. However, in the case of projects on open or predominantly open land, loans can be made to municipalities and other public bodies for schools and other public facilities necessary to support the new uses of the land. The reconstruction of the area is undertaken by private and public interests that acquire the property for its proposed new uses. The price to be paid will be consistent with its economical development for such purposes.

ACHIEVING BROAD REDEVELOPMENT

Throughout the Housing Act of 1949, and particularly in title I, continual strong emphasis is placed on the elimination of unsafe, insanitary, and inadequate existing housing and stimulation of provision of decent, safe, and sanitary new housing. The reason for this emphasis is simple: The Housing Act of 1949 sets forth as a national objective of a comprehensive housing program the realization of a decent home in a good living environment for every American family as soon as feasible. This objective cannot be achieved without a comprehensive, soundly planned slum-clearance and redevelopment program.

The slum-clearance program aims not only to eliminate present slums, but also to prevent their recurrence. That is why a redevelopment plan must conform to a general local plan as a requirement for Federal loan and grant assistance. Such planning is necessary to insure orderly community growth, prevent the recurrence of slums, and to stabilize and protect property values and investments in the future. If good new housing is to stay good, it must have readily available the necessary public facilities such as parks, playgrounds, schools, and streets; convenient access to commercial and industrial areas; and assurance that its new use will be related to future as well as present development and needs.

WHAT TITLE I OF THE HOUSING ACT PROVIDES

Types of projects

Federal assistance is available for four types of projects. Such projects, to qualify for Federal assistance under the act, must be predominantly residential either before or after their redevelopment.

1. *Residential slum or blighted areas.*—Any slum area or any deteriorating or deteriorated area which, prior to redevelopment, is predominantly residential in character. Federal assistance is available in such case without restriction or limitation as to the types or categories of uses for which such an area is to be redeveloped. Thus such an area may be redeveloped for any locally approved use or combination of uses. Both loans and grants are available for this type of project. Typical of this classification are the familiar slum areas, with their overcrowded tenements and ramshackle old dwellings and other structures, that are found in virtually every city.

2. *Nonresidential blighted areas.*—Any deteriorated or deteriorating area which, prior to redevelopment, is not predominantly residential in character. Federal assistance is available in such cases only if the area is to be redeveloped for predominantly residential uses. Both loans and grants are available for this type of project. Examples are run-down areas that ring the centers of many cities, with commercial plants and shops that could more suitably be located elsewhere and be replaced by good houses and apartments for people who prefer or need to live close to the center of the city.

3. *Predominantly open areas.*—Any land which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community. Federal assistance is available in such case only if the land is to be developed for predominantly residential uses. Both loans and grants are available for this type of project, but it is expected that both the acquisition and write-down costs for this type of project will usually be much less than for a built-up slum area. Typical of such land are the optimistic subdivisions of the 1920's, where crumbling sidewalks and tax-delinquent, weed-grown lots are choking city growth, although they already have streets and utilities and if redeveloped and replanned, may lend themselves to redevelopment as good residential taxpayers.

4. *Open areas.*—Any open land—land inside or outside the corporate limits on which there has been virtually no urban development necessary for sound community growth. Federal assistance is available in such case only if the land is to be developed for predominantly residential uses. Loans are available for this type of project, but grants are not available. Such development may be needed to provide more living space for those now crowded in slums and blighted areas and who will have to leave clearance areas.

Types of assistance

1. *Loans.*—Loans aggregating \$1,000,000,000 outstanding at any one time become available as follows: \$25,000,000 as of July 1, 1949,

\$225,000,000 on July 1, 1950, and \$250,000,000 on July 1 of each of the three following fiscal years. The President has authority to increase the authorization at any time or times by amounts aggregating \$250,000,000 but the total authorization of \$1,000,000,000 outstanding at any one time remains the same.

Preliminary and final advances of funds may be made to local public agencies for surveys and plans in preparation of projects which may be assisted under title I of the act. Such advances must be repaid, with interest, out of any moneys which become available to such agency for the project or projects involved.

Temporary loans may be made to local public agencies to finance the initial costs of planning a project, assembling, clearing, and preparing the land for sale or lease, and selling and leasing the land.

In the case of any project on land which is open or predominantly open, temporary loans may be made to municipalities or other public bodies for the provision of schools or other public facilities necessary to serve or support the new uses of the land. Such loans must be repaid in not to exceed 10 years.

Long-term loans are also authorized. Such loans would, in all probability, be used only in cases where all or part of the land acquired in a project area is leased for redevelopment, since, if the land were sold, the proceeds received from the sale thereof plus the capital grants paid would be used to repay the temporary loans. The long-term loans must be repaid in not to exceed 40 years.

2. Capital grants.—Amount: The act authorizes \$500,000,000 for capital grants for slum-clearance and redevelopment projects, becoming available at the rate of \$100,000,000 per year for 5 years. The President has authority to increase the amount authorized in any one year by \$100,000,000, but the \$500,000,000 total remains the same.

Federal capital grants are available for assisting local public agencies to finance the "net project cost"—the difference between necessary costs of acquiring, clearing, and making slum land available for new uses consistent with sound planning and good living standards and the capital proceeds received from the sale or lease of land when it is disposed of. Cities obtaining Federal capital grants must pay at least one-third of the total net project cost of all projects undertaken with Federal assistance, either in cash or in certain donations of land, improvements, and services that can be substituted by the city for cash. Federal grants may be obtained for paying the balance.

Not more than 10 percent of the funds authorized for either Federal loans or Federal grants can be expended in any one State.

Rate of interest: Advances of funds and temporary and long-term loans bear interest at not less than the "going Federal rate" as defined in the act. As of April 1, 1950, the going Federal rate was about $2\frac{1}{2}$ percent a year.

What the community must do

Slum clearance and redevelopment projects must be local undertakings, locally planned, approved, and managed, and designed to serve local needs.

To qualify for Federal assistance, there are certain statutory requirements which the community must meet, among which are:

1. A local public agency established under State law and fully authorized to undertake the project.
2. A detailed plan, approved by the governing body of the locality in which the project is situated, for the redevelopment of the project area which conforms to the general plan for the development of the locality.
3. A general plan for the development of the locality as a whole.
4. Findings by the local governing body that the Federal assistance is necessary to enable the project area to be redeveloped in accordance with the locally approved plan.
5. Maximum opportunity, consistent with the sound needs of the locality, for the redevelopment of the project areas by private enterprise.
6. A public hearing, prior to the acquisition of the land, after notice of the date, time, place, and purpose of such hearing.
7. Ability to furnish the required amount of local grants-in-aid.
8. A feasible method for the temporary relocation of families displaced from the project area.
9. Assurance that there is or will be permanent housing at rents or prices within the financial means of the families displaced from the project area equal to the number of and available to such displaced families, and in areas not generally less desirable in regard to public utilities and facilities and reasonably accessible to their places of employment.

Rehousing the people

Families living in an area to be cleared must be assured both of temporary housing during the clearance period and of permanent housing after it is completed. Some may be rehoused in the rebuilt area, though others may be permanently housed elsewhere, either because they prefer to live elsewhere or they cannot be accommodated in the area under its new uses. The city, however, must assure that decent, safe, and sanitary permanent housing within the financial means of such families exists or is being provided. Private housing may be available for this purpose. Also, the community, if authorized by State public housing laws, may obtain Federal aid under title III of the act to provide public housing for low-income families displaced from slum clearance projects. Under the Housing Act of 1949, such families have first preference in public housing projects assisted under title III of the act.

The act also provides that demolition of housing in project areas may not begin before July 1, 1951, if the local governing body finds that such demolition would result in undue housing hardship in the community.

What happens after the area is cleared

After the area has been acquired, cleared, and prepared for redevelopment, the land may be made available at fair value for uses consistent with approved redevelopment plans, such as housing, industrial, business or commercial use, parks, schools, or public housing projects. When the area is disposed of at its new-use value, the temporary loans will be repaid from the proceeds of sale received plus

the Federal capital grants and the local grants-in-aid, together with the proceeds of permanent loans made to cover any long-term leases of land in the project area and other revenue.

ADMINISTRATION OF SLUM CLEARANCE AND URBAN REDEVELOPMENT PROGRAM

Under title I of the Housing Act of 1949, the Federal responsibility for administering the program of financial aid for local slum clearance and urban redevelopment programs is placed in the Administrator of the Housing and Home Finance Agency. In October 1949, when funds for administering the program became available, the Administrator established the Division of Slum Clearance and Urban Redevelopment, headed by a director, to administer the program of financial aid under his supervision and direction.

In accordance with its emphasis on local initiative, responsibility and operation, title I recognizes that the responsibility for undertaking and carrying out local slum clearance and urban redevelopment projects rests upon local public agencies. To participate in the title I program such agencies must be vested with the necessary powers under State or local law to fulfill the obligations that may be imposed in accordance with such law. As defined in title I, a local public agency is "any State, county, municipality, or other governmental entity or public body which is authorized to undertake the project for which assistance is sought." Under certain State and local laws, the local public agency may be a redevelopment agency, a local housing authority, or other similar type of public entity which is legally separate and distinct from the municipality or other political subdivision in which it operates. In other cases, depending on State or local law, it may be a city, incorporated village, borough, county, town or other political subdivision, or the State itself. The Administrator is directed to encourage operations of local public agencies on a State, regional, or unified metropolitan basis.

When the Housing Act of 1949 was enacted in July 1949 some type of specific slum clearance and urban redevelopment legislation existed in 27 States and in the District of Columbia, Hawaii, and Puerto Rico. In some of these States further legislation may be necessary to permit local communities to meet all the requirements of title I; in others the necessary powers for this new type of activity may have to be determined or clarified through appropriate court decisions. In some of the States without specific legislation, other laws such as public housing legislation, may convey part or all of the necessary authority which local communities must have under title I.

Shortly after the enactment of the Housing Act of 1949, action was taken by local groups in several States lacking adequate laws to enact legislation that would permit local bodies to participate in the title I program. By the middle of 1950, such legislation had been enacted in a few States and in others the proposed legislation was still under consideration in the legislative bodies or was to be introduced during a future session of the legislature.

Interest of local communities

In the early stages of the program, applications for reservations of funds and for financial aid and other inquiries indicated a widespread interest of communities in the clearance of their slums and blighted areas with Federal financial aid authorized in title I of the Housing Act of 1949. Definite steps to participate in the program had been taken not only by most of the larger cities but also by many smaller communities, one of which had a 1940 population of only 1,349. Some smaller communities in a single metropolitan area intended to work out a consolidated program under a single local public agency, such as a county agency. By May 1, 1950, 82 communities had been given capital grant reservations totaling about \$120,000,000.

HOW A SLUM CLEARANCE AND URBAN REDEVELOPMENT PROGRAM WORKS

Following is a hypothetical example of a slum clearance and redevelopment project as it might be undertaken under title I. Figures used are not to be taken literally, since they do not represent costs of any actual project but are given for illustrative purposes only.

Suppose Central City decides it wants to start getting rid of undesirable slum areas but is unable to finance the undertaking without Federal assistance. First, the city wants to make certain a portion of the Federal funds is reserved for its use. Through a resolution of its city council it requests the Housing and Home Finance Administrator to reserve capital grant funds for projects it intends to undertake prior to July 1, 1951. The Administrator agrees to reserve for a limited period \$2,000,000, Central City's allocation from the first \$200,000,000 of capital grant authorizations (out of the total capital grant authorizations of \$500,000,000), for programs to be initiated prior to July 1, 1951.

Central City then takes the steps necessary to qualify for financial aid. It establishes a local public agency qualified to undertake slum clearance projects. It already has a city plan which fulfills the major requirements of a general plan as required under title I. It has already instituted positive programs to encourage housing cost reductions through modernization of its building codes and other regulations and to prevent the spread and recurrence of slums and blight through other codes and regulations. The city also has a tentative idea of the slum and blighted areas which it believes it can reasonably clear out first under the requirements of title I. It is ready to go into the slum clearance business.

Preliminary and final advances

Central City now needs funds for surveys necessary to define a project area. So its local public agency, with approval of the city council, submits an application for a preliminary advance of \$25,000. Upon approval of the survey plans, the Administrator enters into a preliminary advance contract with the local public agency by which the funds are made available.

The local public agency then conducts such surveys of the areas which it has tentatively selected for first attention, to select and

determine the boundaries of its first project area. These surveys produce the additional data necessary to determine the project's feasibility as to the fulfillment of the requirement for relocating families in the area who will be displaced by clearance operations, the marketability of the land for redevelopment, the preliminary estimates of costs of the project, and other factors. It is then ready to complete the plans for the project, so it submits, again with approval of the city council, an application for a final advance of funds of \$75,000 for detailed plans and surveys for the project. Upon approval of the application by the Administrator, a final advance contract is executed.

Temporary loan and grant contract

Some months later the local agency is ready to submit an application for a temporary loan and capital grant contract with which to finance the actual undertaking of the project. It has completed the redevelopment plan to be followed by redevelopers in rebuilding the area. It has a plan for rehousing families which will be displaced by the clearance operations. It has reasonable assurances as to the marketability of the land for the new uses specified in the redevelopment plan.

In addition, the local public agency can now show estimates of how much money it will need to undertake the project. It has obtained detailed appraisals of the land to estimate the acquisition costs and the general value to be received in disposition for the new uses. It has detailed estimates of the costs of demolition and removal of existing improvements, of the installation of streets, utilities and other site improvements, and of administrative and other costs. It also has assurance that Central City will contribute about \$350,000 in donations of land, services in connection with project activities, and other public improvements, such as schools, playgrounds, parks, etc., which are necessary to serve the project area.

Cost estimates

The local agency estimates that the project will cost \$1,650,000 (including the \$100,000 it already has spent for surveys and plans), in addition to the \$350,000 in local contributions, to acquire, clear, prepare the land, and make the area available for redevelopment. This makes a gross project cost of \$2,000,000. The local agency estimates that the land will be sold for approximately \$800,000. This means that the project will be approximately \$1,200,000 in the red after it has been completed. Since the Federal capital grant on this project cannot exceed two-thirds of this deficit, the local share cannot be less than \$400,000. The local agency, therefore, must agree to provide \$50,000 in cash donations, in addition to the \$350,000 in land, services, and facilities which Central City has already pledged to donate to the project.

The local public agency's application thus requests a contract for a \$1,650,000 Federal temporary loan to finance the undertaking of the project and for an \$800,000 Federal capital grant to finance two-thirds of the deficit. After a determination that the estimates are reasonable and that the local public agency is prepared to comply

with all its obligations, the Administrator enters into a contract for a temporary loan and capital grant with the local public agency for the amounts requested. The local agency uses the proceeds of the loan first to pay the principal and interest due on the \$100,000 advance received by the local agency, and then to acquire, clear and prepare the land for redevelopment, and to sell the land to redevelopers. At the conclusion of the project, the \$1,650,000 loan is repaid with the proceeds of the sale of the land, amounting to \$800,000, the Federal capital grant, amounting to \$800,000, and the local cash contribution of \$50,000.

If the land, services, and facilities which the city donated to the project had amounted to \$450,000 instead of \$350,000, the local public agency would have provided an excess of \$50,000 over its minimum one-third local grant-in-aid requirement. This excess could be credited towards the local grants-in-aid on any subsequent project undertaken by the locality.

Also, if the Agency had decided to lease rather than sell certain portions of the cleared land in the project, it could have refinanced the leased portions at their reuse value with a Federal loan that could run as long as 40 years, bearing interest at the going Federal rate. This loan would have appeared in the proceeds just as though the land had been sold.

Since Central City's initial grant reservation was \$2,000,000 and the capital grant provided for this project is \$800,000, the local public agency may obtain \$1,200,000 in additional capital grants for another project or projects which it plans to undertake prior to July 1, 1951.

TITLE III

LOW-RENT PUBLIC HOUSING

The low-rent public housing program enables communities to provide adequate housing for low-income families who otherwise would have to live in substandard housing. It is a local program, operated with Federal financial assistance.

The program is not new. It was begun by the United States Housing Act of 1937 which authorized Federal aid to communities to house—

families * * * in the lowest income group * * * who cannot afford to pay enough to cause private enterprise * * * to build an adequate supply of decent, safe, and sanitary dwellings for their use.

Under this program, a total of 191,700 simple but adequate homes renting at rates within the means of low-income families are being operated in 275 localities. The public housing portion of the Housing Act of 1949 amends the 1937 act to authorize financial assistance for the construction and operation of 810,000 additional low-rent dwellings in a 6-year program.

THE PROBLEM AND THE SOLUTION

The problem which gives rise to this program is a familiar one. Families in the lowest income group cannot afford either to buy or rent good standard housing. They are obliged to live in substandard

or slum housing because that is the only kind they can afford. The problem, then, is to make good housing available to them at prices they can pay.

This is how public housing solves the problem. Local housing authorities plan and build low-rent housing projects which they finance with the assistance of loans from the Federal Government. When the projects are built, the dwellings are rented to low-income families at rents scaled to what the individual family can pay. Since the rental revenue from the project is not enough to cover the cost of building and operating the housing, a deficit results.

The Federal Government makes up this cash deficit with a subsidy paid each year in the amount needed for that year. This Federal payment is known as the annual contribution. The local government also contributes to achieving low rents through exempting the projects from all taxation.

WHAT THE LOCALITY DOES

How the program works may be seen by following the steps in the development and operation of a typical project.

Low-rent housing can be developed in any State where the State legislature has authorized the establishment of local housing authorities for this purpose. Forty-three States now have such laws in effect, as well as the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands. Under most of these laws, local housing authorities are set up by the city government and members are appointed by the mayors.

There are now 472 active local housing authorities with past experience in public housing programs administered by the Federal Government. These authorities serve 582 localities. Sixty-three percent of these places have populations of less than 25,000 and 86 percent of them have populations below 100,000.

Several hundred additional authorities have been created but have had no experience in operating public housing. By mid-April 1950, a total of 494 authorities, including over 200 authorities without previous experience, had made applications for reservations under the Housing Act of 1949.

The local authorities construct their low-rent projects under contract with private builders, own the projects, and operate them with their own management staffs.

The Federal function is restricted to making capital loans, paying the annual contributions, and reviewing local actions for conformity with law. These Federal responsibilities are handled by the Public Housing Administration, a constituent agency of the Housing and Home Finance Agency.

The local housing authority must determine the need in its locality for low-rent public housing. After it has demonstrated that there is a need for low-rent housing not being met by private enterprise, the PHA will make a small preliminary loan to cover the cost of planning a proposed project. The local governing body must approve the application for this loan.

The authority then selects a site, has it appraised, selects architects and engineers to prepare plans, and makes estimates of the cost of

building and operating the project. It also enters into a cooperation agreement with its local government providing for tax exemption for the project, payments in lieu of taxes and, where required, the elimination of substandard dwellings in the locality.

The cost of the project is limited by law. It must not be of elaborate or extravagant design or materials and economy must be promoted in construction and administration. The cost of building and equipping the dwellings must not exceed \$1,750 per room, excluding the cost of land and nondwelling facilities. If there is an acute need for low-rent housing in a locality and it cannot be built within this limit except by sacrificing sound standards, up to \$750 more per room may be allowed.

FINANCING THE PROJECT

Capital costs of the project during the first development period will be covered by temporary loans. These loans are generally obtained through sale of the local authority's temporary loan notes to private investors. Because PHA obligates itself to lend enough to cover the principal and interest on these notes when they mature, if necessary, the notes have excellent security and are now being sold at interest rates averaging substantially less than 1 percent per year. All temporary loan notes are retired as soon as the project is permanently financed.

When the project is far enough along so that its cost can be figured accurately, the local authority proceeds to permanent financing by sale of long-term serial bonds. These are secured by the Federal Government's pledge to pay annual contributions. It is expected that substantially all of the permanent bonds can be sold to private investors at favorable interest rates. Under present market conditions, interest rates of $1\frac{1}{2}$ to $1\frac{3}{4}$ percent should be obtained for this long-term financing.

The amount of the maximum contribution which may be paid annually is limited to a percentage of the development cost of the project. This percentage is fixed at a rate equal to the cost of long-term money to the Federal Government (going Federal rate) plus 2 percent. Under present conditions, the maximum contribution rate would be $4\frac{1}{2}$ percent of the development cost.

The maturities of the bonds are so arranged that the debt service will be the same amount each year. In order to pay off the cost of the project as quickly as possible—and thus end the Federal contributions—this level debt service is arranged so as to substantially equal the maximum contributions available as security for the bonds.

Thus, under present conditions, the debt service per year would be set at just under $4\frac{1}{2}$ percent of the capital cost. If the bonds were sold at interest rates averaging $1\frac{7}{8}$ percent, the project cost could be amortized in 29 years. If interest rates were lower, the cost could be amortized even more rapidly.

When the amortization is completed, the local authority can continue to operate the project at low rents without further Federal assistance.

LOAN FUNDS AUTHORIZED

The law authorizes PHA to make loans amounting to \$1,500,000,000. The authorization will be used to make the preliminary loans for project-planning purposes, to secure the temporary notes sold by local authorities to investors, and to make permanent loans for any part of the permanent financing not covered by sale of bonds to investors.

SELECTING TENANTS

Local authorities will begin taking applications for admission to the project before the project is completed. The applications will be carefully reviewed to determine the eligibility of the applicants and to administer the preferences prescribed by law.

To be eligible for admission, a family must be low income, with an income not in excess of the maximum set locally. Except for veterans, the family must come from slum housing, or be displaced by a slum-clearance project or another public-housing project, or actually be without housing through no fault of its own. Among eligible families, preference for initial occupancy is given first to families displaced from cleared areas, and second, to other low-income families, with veterans of World War I and II given first preference in each of these two groups.

OCCUPANCY BY LOW-INCOME FAMILIES ONLY

There are several provisions in the law to insure that only low-income families who cannot afford adequate privately owned housing are allowed to occupy low-rent housing. The principal ones are—

1. The top rent for admission must be at least 20 percent below the rents at which private enterprise is providing a substantial supply of available standard housing, either new or old.

2. The net income of families at admission (less a \$100 exemption for each minor member) cannot exceed five times the annual rent to be charged, including utilities.

3. Local authorities must set maximum income limits, both for admission to the project and for continued residence in it. These limits are subject to PHA approval.

4. The authority must make a written report to PHA showing that incomes of families admitted are within the limit.

5. The authority must reexamine the incomes of all tenant families periodically to adjust rents if necessary and to evict those families whose incomes have risen above the limit for continued occupancy.

The maximum income limits for admission are set by the authority after a careful study of local needs. Factors considered include the incomes of families forced to live in slum housing, the lowest incomes earned by regularly employed workers, and income levels permitted by relief agencies for their clients. Maximum income limits for continued occupancy are generally set 20 to 25 percent above the admission limits to allow some increase in family income without necessitating eviction.

In existing low-rent projects, the maximum income limits for admission of average-sized families average \$1,990. In the first half of

1949, the average actual income of families admitted was only a little over \$1,600.

SETTING THE RENTS

Three major factors enter into consideration of setting the rents to be charged. They are the level of rents required to serve low-income families from the slums, the cost of operating and paying for the project and the amount of contributions available from the Federal Government and the local government to reduce rents.

Families living in low-rent housing must pay all that they reasonably can in relation to their incomes. But they must not be required to pay more than a reasonable proportion of their incomes for rent because their meager resources are already strained to provide food, clothing, and other necessities of life.

The rent to be charged a given family, therefore, is based on its income and not on the size of the dwelling it requires. Each family is required to pay not less than 20 percent of its income for rent, including utilities. In order to aid large families, a deduction from net family income of \$100 is allowed for each minor dependent.

It is estimated that the shelter rents needed to serve low-income families will average about \$23 a month. Utilities will cost another \$7. This level of rents would require the use of only 75 to 80 percent of the maximum Federal subsidy. In bad times, when the rent-paying ability of low-income families will fall, rents could be reduced further by using the full available subsidy.

OPERATING AND MANAGEMENT COSTS

Low-rent projects are operated by full-time staffs employed by the local authority. Every possible attention is given to operating economy. Projects are planned and equipment selected with an eye to cutting maintenance costs. Utilities are purchased at wholesale rates. The cost of repairs, maintenance, and replacement is kept down by encouraging tenant cooperation and requiring tenants to do such things as caring for the ground, interior painting, and minor repairs.

It is estimated that the average over-all cost of operating and paying for a dwelling for a month will be :

Operating costs, including repairs, maintenance and replacements-----	\$13.50
Heat and other utilities-----	7.00
Payments in lieu of taxes (10 percent of \$23 shelter rent)-----	2.30
Debt service (amortization in 29 years, 1½ percent interest)-----	31.69
 Total monthly cost-----	 54.49

THE FEDERAL CONTRIBUTION

As explained earlier, the maximum Federal contribution which can be paid in any year is equal to a percentage of the capital cost of the project. The percentage, under contracts entered into at present rates, would be 4½ percent. On a project costing \$8,450 per dwelling (the maximum possible average cost if the full contribution and construction authorizations are used), the maximum Federal contribution would thus be \$31.69 per dwelling per month.

Although less than the maximum contribution will be required for most projects in most years, the contracts with local authorities permit payment of the maximum if needed so that rents may be kept within the means of low-income families even in bad times and to provide maximum security for the local authority bonds.

On the basis of the expected average operating costs and rents, however, the average actual Federal contributions are estimated as follows:

Operating cost, including utilities and debt service	\$54.49
Less amounts paid by tenants:	
Shelter rent	\$23.00
Utilities	7.00
	30.00
Actual average Federal contribution, per month	24.49

This is an estimate of average Federal contributions over the full period during which they will be paid. In good years, the rent-paying ability of low-income families is increased and less than this amount will be required. In bad years, higher amounts, perhaps running up to the full amount contracted for, would be required.

The estimated actual amount of \$24.49 is only 77.3 percent of the possible average maximum of \$31.69 per month.

The Federal contributions may be paid for as long as 40 years. The anticipated interest rates for permanent financing, however, will permit amortization in less time. If actual interest rates average 1½ percent, amortization can be completed in 29 years. If the average interest rates are somewhat lower, amortization can be completed in a shorter time. Federal contributions end when amortization is completed, so they probably will be limited to substantially less than 40 years.

THE LOCAL CONTRIBUTION

The locality is required to make a contribution toward achieving low rents in the form of exemption from all real and personal property taxes. All of the State low-rent housing laws now provide for this.

So that public housing projects shall bear a share of the cost of such municipal services as schools and streets, the law permits local authorities to make payments in lieu of taxes up to 10 percent of the shelter rents charged in the projects.

It is expected that the value of the contribution which localities make by foregoing full *ad valorem* taxes on the projects occupied by low-income families, less 'in-lieu' payments which are received, will approximate 50 percent of the Federal contributions over the life of the projects.

ELIMINATING SLUM DWELLINGS

Since public low-rent housing is intended to help raise the standards of housing in the community, the law makes provision for elimination of substandard dwellings in connection with public-housing projects.

Where a public-housing project is built on a slum site, this is accomplished when the site is cleared. Otherwise, in urban areas, unsafe or insanitary dwellings must be eliminated substantially equal in

number to the number of new dwellings provided by the project. This must be done within 5 years after the project is completed, unless deferred because of an acute shortage of housing for low-income families in the locality.

QUESTIONS AND ANSWERS

1. Why is public housing necessary?

Although most Americans can meet their housing needs without help, families at the bottom of the income scale can't afford to buy or rent good homes. Many of them can take care of their food and clothing needs. But good housing is beyond their reach. Economic necessity sends these families to live in the slums. Slum housing is neither decent, safe, nor sanitary. It is a hazard to its occupants and to the community.

Public housing uses a subsidy to put decent, safe, and sanitary housing within the reach of these low-income families from the slums. It is the only method yet devised for providing good housing to rent at prices that families in the lowest income groups can afford.

2. What's new about this program?

The size, but not the idea. The Federal Government has been helping localities to build and operate low-rent public housing since 1937. The United States Housing Act of 1937 provided capital loans to get such housing built and annual contributions (subsidies) to keep rents low. A total of 191,700 dwelling units in about 275 localities are being operated under that program. (This includes 21,600 units constructed by the Public Works Administration, for which no capital loans or contributions have been made.)

The Housing Act of 1949 simply extends the program by amendments to the 1937 act. It raises available loan funds to \$1,500,000,000, and authorizes as much as \$308,000,000 to be spent for subsidy each year for 40 years. With these aids, an additional 810,000 public housing units may be put under construction in the next 6 years.

3. Are there any differences, other than size, between the old program and the new?

Yes; there are several. Most of them are refinements drawn from the 12 years' experience that has gone before. Some merely write into law policies and practices already in effect.

For instance: The new law requires that a substantial gap be left between the bottom of the market served by private housing and the top of the market served by public housing. It also requires local housing authorities to set dollar income limits for tenants to make sure that only low-income families are housed in the projects. Both of these things have been done by administrative practice for years. Now they are a matter of law.

One important change is in the statutory limit on how much public housing can cost. Under the 1937 act, the cost to build and equip public housing could be no more than \$1,000 a room, or \$1,250 in cities of more than half a million population. That was reasonable 12 years ago. But fireproof, apartment-type projects can't be built for that today. So the 1949 act sets the maximum cost at \$1,750 per room.

An extra \$750 may be allowed in some high-cost areas. That brings the law into line with today's construction costs.

The original act also contained a per-dwelling-cost limit. The new limit is on a per-room basis only. This change was made to permit construction of larger units for big families. Many low-income families are larger than average.

Big families get another break in the new law. When their incomes are examined to see if they are eligible for public housing, they are allowed an exemption of up to \$100 for each child. This consideration recognizes that it costs big families more to live than small families.

There are also a number of technical changes designed to make securities issued by local housing authorities more attractive to private investors. This will result in lower interest rates and, in the end, save the Government money.

4. Who can get these loans and subsidies?

They go only to local housing authorities. These are local public bodies established under State statutes. Forty-three States, the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands already have the necessary laws authorizing creation of such authorities. Nearly 500 authorities now exist and have experience with public-housing programs. The only States which have not yet adopted such laws are Iowa, Kansas, Oklahoma, Utah, and Wyoming.

5. How does a local authority get into the program?

When a local housing authority finds there is a need in its locality for low-rent housing for low-income families that is not being met by private housing, it may make an application to the Public Housing Administration for a "program reservation." This application must be accompanied by pertinent data proving the existence and extent of the need for public housing. The program reservation merely sets aside a certain number of units for the community from the quota available for allocation at the time.

Then the authority may get a small preliminary loan to pay for planning its project. The city council must approve the local authority's application for this loan.

When the project is planned and approved, PHA will contract with the authority for the necessary loans and agree to pay the annual contributions required to keep rents low. This contract for assistance will be conditioned, of course, on the authority's agreement to house only low-income families, to set a rental gap between public housing and private housing, to stay within the cost limits and otherwise abide by the purposes and requirements of the program. With these contracts and agreements made, the local authority can go ahead with building the project and putting it into operation.

6. How fast will the program move?

The law permits PHA to authorize construction of 135,000 units a year for 6 years. The President can step up the rate to 200,000 units a year or slow it down to 50,000 units a year if economic conditions warrant. Much will depend, of course, on how quickly the localities

undertake their programs, complete plans, acquire sites, and get construction under way.

7. Who lives in public housing?

Only low-income families are eligible to be admitted and to live in low-rent public housing projects. Each locality will establish income limits for admission and continued occupancy to make sure that tenant families fall within the low-income group. Other factors also figure in determining eligibility. These include requirements of citizenship, residence in substandard housing, and preferences for veterans and persons displaced by public slum clearance and urban redevelopment projects.

8. Will public housing compete with private housing?

Not with standard housing—just with slum housing. The system of income limits and the gap between public and private housing insure that public housing will serve only those families who cannot afford the cheapest of the adequate housing provided by private enterprise. Since the tenants of public housing will be families who can't afford standard housing, they are not part of the market that private housing serves.

9. What does private business get out of the program?

All construction is done by private contractors who get the work by competitive bidding. This means business for private architects, engineers, materials manufacturers, and suppliers, too. Since the project will be financed in large part by private borrowings, this means business for bankers and investors. Other business in the community stands to gain because the tenants of public housing, paying rents commensurate with their incomes, will have enough money left over for such essentials as food and clothing.

10. Is public housing "low-cost" housing?

It is "low cost" to the tenant. That is why "low-rent housing" is a more precise name for it.

Every possible economy consistent with minimum standards, long life, and low upkeep is made in building and operating the projects. But public housing has no magic formula for cutting costs. The costs of building public housing are the costs of private construction. The projects are built by private contractors, paying prevailing wages and using materials bought in the same way as though the job were being done for a private owner.

In the prewar program, the average total cost was \$4,649 a dwelling. This compares favorably with the costs of comparable housing built for private owners. The average per unit cost for 810,000 units under the authorizations in the act could not exceed \$8,450.

11. Will public housing clear slums?

In urban areas, the law requires that substantially the same number of slum dwellings be eliminated as the number of public-housing units built in the locality. This may be done by demolishing, closing,

or rehabilitating existing substandard housing within 5 years after the public-housing project is completed. The slum elimination may be deferred in places where there is an acute shortage of adequate housing for low-income families and is not required if a public-housing project is built on a slum site cleared since the Housing Act of 1949 was enacted or if it is located in a rural nonfarm area.

Title I of the Housing Act of 1949—the slum clearance and urban redevelopment program—establishes a broader attack on the slums. Public housing is closely related to urban redevelopment and essential to it because slums cannot be cleared unless other housing is available for the people who live in them. For the most part, these are families in the lowest income group who can be adequately housed only through public housing.

12. *How much will the program cost?*

The \$1,500,000,000 in loan funds for the public-housing program is not an out-of-pocket cost. All loans will be repaid in full, with interest. The only out-of-pocket cost to the Federal Government is for annual contributions. These may go no higher than \$308,000,000 a year for 40 years, a total of \$12,320,000,000. However, the subsidy is paid only to the extent needed each year. In the past, the public-housing program has actually used only 58.5 percent of the maximum subsidy available. For the new program, it is estimated that the actual expenditure for subsidies over the full span of the program will amount to between \$7,000,000,000 and \$8,000,000,000.

TITLE IV

HOUSING RESEARCH

THE PROBLEM

For many years the chief obstacle to housing progress has been the rising cost of housing in relation to the purchasing power of most home seekers. The problem of housing costs is complex and difficult and has resisted the effect of most of the advances toward larger production and lower unit costs that have generally characterized the rest of our modern economy.

Almost everyone in the Nation has a stake in an expanding housing market. First and most obvious is the consumer, seeking to better his housing within his financial means. Then there is the housing industry. Production and marketing of housing for rent and sale is one of our basic industries. A sustained large volume of housing production at moderate prices would not only provide an answer to the problem of a decent home for more of our families but would also help to stabilize the entire economy. Workers would be assured of steadier work at good wages more weeks in the year, contractors a continuing market instead of past ups and downs, materials producers a stable market for their products, and mortgage lenders a protection against the wild fluctuations of past housing booms and breaks.

The rise in the cost of housing in relation to the ability of most people to pay underlies the entire housing problem. This disparity has

been recognized throughout congressional studies and hearings on housing and has become particularly pronounced since the war.

The Joint Congressional Committee on Housing in its report on March 15, 1948, said:

This long-continued rise in costs reflects a lag in the productivity of our housing industry which makes it compare unfavorably with most other industries. * * * In a relative sense our residential building technology has fallen behind. A vicious circle is created by this lag, in which the high costs resulting from an obsolescent technology make it harder and harder to give the public as much for its money in housing as in other commodities. * * *

The committee in recommending a federally coordinated program of housing research further said:

The progressive reduction of housing costs and expansion of the private housing market appear to lie in a coordinated program of technical research. * * * Private industry cannot be expected to organize or carry out the comprehensive program of technical housing research that is needed, although many parts of what industry can and is doing in the general field can be fitted into such a program.

These statements, in brief, give the analysis of the housing cost problem on which the housing research program authorized in the Housing Act of 1949 is based. The act specifically includes in its statement of policy the following as national housing objectives:

1. The production of housing of sound standards of design, construction, livability, and size for adequate family life.
2. The reduction of the costs of housing without sacrifice of such sound standards.
3. The use of new designs, materials, techniques, and methods in residential construction, the use of standardized dimensions and methods of assembly of home-building materials and equipment, and the increase of efficiency in residential construction and maintenance.
4. The development of well-planned, integrated, residential neighborhoods and the development and redevelopment of communities.
5. The stabilization of the housing industry at a high annual volume of residential construction.

THE NEW APPROACH

Title IV of the Housing Act of 1949 authorizes for the first time a comprehensive and coordinated housing research program. It directs the Housing and Home Finance Administrator to carry out a program of research and studies concerned with housing economics and other housing market data and with the development, demonstration, and promotion of the acceptance and application of new and improved building materials, methods, and techniques, directed toward increased and sustained production and lower costs.

SCOPE OF THE RESEARCH PROGRAM

The act authorizes economic and technical research in the housing field on a broad front. The scope of the program contemplated by the act is indicated by the following fields of investigation and research that it specifically points out as being of appropriate concern:

Improved and standardized building codes and regulations and their more uniform administration.

Standardized dimensions and methods for the assembly of home-building materials and equipment.

Improved residential design and construction.

New and improved types of housing components, building materials and equipment, and methods of production, distribution, assembly, and construction.

Sound techniques for the testing of materials and types of construction and for the determination of adequate performance standards.

Appraisal, credit, and other housing market data.

Housing needs, demand and supply, finance and investment.

Land costs, use and improvement, site planning and utilities.

Zoning and other laws, codes, and regulations as they apply to housing.

HOW THE RESEARCH PROGRAM WILL BE CARRIED OUT

The act augments the Housing and Home Finance Administrator's existing administrative authority to enable him to carry out the broad research program authorized by the Housing Act of 1949.

Title IV provides that the HHFA Administrator shall make use as far as feasible of existing facilities of the Federal Government adapted to technical research. It also requires the Administrator to consult with and make recommendations to other Federal agencies engaged in the collection of housing data with respect to action necessary or desirable to overcome existing gaps and deficiencies in such data or in available collection facilities.

The act authorizes the Administrator to enter into contracts on a negotiated basis (that is, without advertising for bids) with public, educational, and other nonprofit organizations for carrying out projects under the Housing and Home Finance research program with Federal funds through their laboratories and technical facilities. Such contracts may extend for periods up to 4 years.

The Administrator is also authorized to undertake studies and research cooperatively with industry and labor, State and local governments, and educational institutions, and other nonprofit organizations.

While much of the research and study authorized will be carried out by the Administrator through the Agency's own staff and facilities, for projects requiring such special facilities as laboratories, the Housing and Home Finance Agency will, to the extent feasible, utilize facilities already available, such as those operated by the Federal Government or by State universities or various nonprofit foundations or institutions that are suitable for technical research and testing work in the housing field.

The Housing and Home Finance Agency will also seek to serve as a central coordinating point for research that is already being done and to fill in the gaps with studies and projects which it undertakes. It will make use of existing techniques wherever possible. For

example, data collected for mortgage insurance purposes by the Federal Housing Administration on typical costs of building materials can be valuable in analyzing housing costs; techniques and methods developed for many years by the Bureau of the Census in their population and family income surveys can be profitably employed in housing market analyses for developing local housing market analysis.

The Administrator is also directed to disseminate the results of research and studies in such form as may be most useful to the industry and general public, and information developed under the Government's research contracts is to be made available to the public through dedication, assignment to the Government, or other means.

OTHER FUNCTIONS AUTHORIZED

In addition to the direction to undertake and conduct a program of research and studies, the title provides:

1. The Housing and Home Finance Administrator shall submit to the President and to the Congress national estimates of urban and rural nonfarm housing needs and report on progress being made toward meeting them, and to correlate and recommend proposals for Executive action or legislation to further the objective and policy established by the Housing Act of 1949. (A similar requirement is made of the Secretary of Agriculture with respect to farm housing in title V.)

2. He shall encourage localities to make studies of their own housing needs and markets and surveys and plans for housing, urban land use, and related community development, and, where requested, to assist them with technical advice and guidance.

OPERATION OF THE PROGRAM

The act provides that the Administrator of the Housing and Home Finance Agency shall appoint a director to have charge of the housing-research program under the Administrator's direction and supervision. The director will have such policy, programming, and operating staff as the operations require. In addition, under authority contained in title VI of the act, advisory committees may be named, as needed, from representatives of industry, labor, finance, consumer, and Government groups, as well as such professional groups as architects. Experts on special subjects and problems in the technical and economic field will be called in as consultants when their assistance is needed.

INITIAL STEPS UNDER THE PROGRAM

The Housing Act of 1949 authorizes appropriations to carry out the program, and the extent of the initial year's program, as well as that of any succeeding year, will be determined by the Congress through the appropriations it makes available on the basis of recommendations submitted by the President and documented by the Agency.

Housing research, however, does not start entirely from "scratch." The Housing Act of 1948 directed the Housing and Home Finance Administrator to undertake and conduct technical research and studies

with reference to the improvement and standardization of building codes and regulations and their administration, and standardized dimensions and methods for the assembly of housing materials and equipment (known as modular coordination). In addition, certain technical studies have been conducted incident to the regular operating and administrative needs of the Agency in past years.

The initial operations under the program are of four general types:

1. *Projects under way that are to be carried to completion.*—These include work already launched on building codes and standardized dimensions, including the development of an interim model code for construction on which considerable work has already been done, and longer-range work on establishing the foundation for a complete model code based on performance standards.

2. *Studies and research that can be started where past work or present knowledge has shown the need and the goal.*—Possible projects in this field include a needed study of the elements of housing costs to determine how they can be most effectively attacked to produce worthwhile results; practical demonstrations of new construction techniques or materials to determine their value for general use; and developing means for filling in the more vital "missing links" in housing information and data needed by both Government and industry to provide a sound basis for a high, continuing level of production at lower costs.

3. *Organization of the considerable body of existing knowledge and research that needs to be assembled, appraised, related, and disseminated for practical use.*

4. *A survey of existing housing research being carried on and an inventory of available research facilities.*—This is necessary to determine what are the most important gaps needed to be undertaken through the Federal Government.

Obviously, such a comprehensive program as the act calls for is a long-range undertaking. It cannot all be accomplished overnight—nor overweek or overyear. The research program would not be aimed at a single miracle solution that would scrap all known and used methods of homebuilding, but rather at progressive and cumulative results, large and small, that can be put to practical day-to-day use as they become available to lower housing costs and increase production.

TITLE V

FARM HOUSING

Q. 1. What does the legislation provide?

A. 1. It has six titles. Title V provides loans and grants and other assistance to improve farm housing and other farm buildings. The other five titles deal with the improvement of urban housing.

Q. 2. How great is the need for farm housing?

A. 2. The most recent complete survey was prepared in 1945 by the Department of Agriculture Interbureau Committee on Postwar Programs and submitted to the Senate Special Committee on Postwar Economic Policy and Planning. Much of the information contained in it is based on 1940 census data which show the following selected characteristics:

Item	Percentage	
	Rural	Urban
Overcrowding (more than 1.5 persons per room).....	16	6
Having electric lighting.....	32	96
Having running water.....	18	94
Private flush toilet.....	11	83
Private bath.....	12	78

According to the census data about 2.5 to 3 million farm houses did not meet the Housing Act standard of "decent, safe, and sanitary" housing. The report goes on to say:

An important reason for inadequate farm housing has been the lack of sufficiently remunerative employment to pay for better structures. For the country as a whole it appears reasonable to assume that unless a family was able to produce at least \$1,500 gross farm income per year under 1939 conditions, it was not able to finance an acceptable dwelling from farm income.

One clue to the present need for farm housing is the fact that nearly 3,000,000 farm families grossed less than \$1,500 farm income by 1945 census data; and the number would be even greater if we converted the 1945 income to 1939 purchasing power. A second reason for the continued need for improved farm housing has been the inability to obtain materials, labor, or equipment for such construction during the war and immediate postwar years, so that existing bad housing has continued to deteriorate.

Q. 3. Has there been any improvement in farm housing since the 1940 census?

A. 3. Yes. Sample surveys made by the Bureau of Agricultural Economics in 1947 indicated that new houses were under construction on 240,000 of the Nation's 6,000,000 farms and 23 percent of the farmers interviewed reported some form of construction or repair to their dwellings. However, 67.3 percent of the farm dwellings still lacked running water, 80 percent lacked a bath and flush toilet, 40 percent lacked electric lights, and 10 percent were overcrowded.

Q. 4. Will this gradual improvement solve the problem?

A. 4. No. The figures do not show that construction is taking place on the farms of those who would be helped most by the housing legislation—those who are unable to obtain private financing.

Q. 5. Why was it necessary to deal with farm housing separately in the legislation?

A. 5. While assistance to families of low income in rural areas formerly was authorized under provisions of the United States Housing Act of 1937, the special and different problems of farm housing require special provisions. In the Housing Act of 1949 it is recognized that an intimate relationship exists between farm housing and the entire farm economy—that the farm house and buildings are really a part of the farm.

Q. 6. How is this done?

A. 6. By authorizing the Department of Agriculture rather than the Housing and Home Finance Agency to provide assistance to farm owners so that they may acquire adequate farm buildings. This

makes possible an integrated farm program which provides adequate housing as part of the total farm economy.

Q. 7. What farm housing loans will the Department of Agriculture be able to provide under the act?

A. 7. Section 501 authorizes the Secretary to provide loans to farm owners (in the United States, Alaska, Hawaii, Puerto Rico, and the Virgin Islands) to enable them to provide decent, safe, and sanitary farm dwellings and buildings for themselves, their tenants, lessees, sharecroppers, or laborers.

Q. 8. May a tenant obtain this financial aid to erect needed housing on a farm which he is operating under lease?

A. 8. No. The financial aid provisions are applicable only to owners of farms but an owner may get a loan to improve buildings occupied by a tenant.

Q. 9. And may all farm owners participate in the financial assistance provisions of this act?

A. 9. No. The law explicitly limits such financial assistance to those owners who are without sufficient resources to provide the necessary housing on their own account and who are unable to secure credit necessary for such housing from other sources on terms and conditions which they could reasonably expect to fill.

Q. 10. How large must a farm be to qualify an applicant for assistance?

A. 10. For the purpose of title V, a farm is considered to mean a parcel or parcels of land operated as a single unit for the production of one or more agricultural commodities for sale or home use which have an annual gross value equivalent to at least \$400 computed on 1944 commodity prices.

Q. 11. What loan limits are set up in the act?

A. 11. There are no dollar limits specified in the act except in connection with loans and grants for minor improvements. A farmer who has income sufficient to support a high-cost house will be able to get his financing elsewhere.

Q. 12. What are the terms of financial assistance under title V?

A. 12. Section 502 authorizes loans for periods not in excess of 33 years, bearing interest at no more than 4 percent per year.

Q. 13. Does that mean that a borrower may take the entire 33 years to repay his loan?

A. 13. Not necessarily. The act provides that the borrower shall refinance his indebtedness through cooperative or private credit sources whenever he is able to do so.

Q. 14. What security must be given to obtain such loans?

A. 14. The loan is secured by a mortgage on the farm subject to any existing prior liens, and such additional security or collateral as may be necessary to reasonably assure repayment of the loan.

Q. 15. Is a farmer eligible for assistance even though the present anticipated income from his farm and other sources would not repay the loan in the scheduled period?

A. 15. Under certain conditions this is possible. Section 503 provides for aid to farm owners over and above the long-term low-interest credit provided in section 502. If the farm enterprise is capable of being improved or enlarged or if farm practices can be adopted to

bring the unit up to adequate level of production within a reasonable period of time (not to exceed 5 years) loan assistance provided under section 502 may be supplemented by annual contributions. Such contributions will take the form of credits against the installments of interest and principal due for the period, and may not exceed the annual interest installment plus half the annual principal installment due. Such contributions may be made only if the owner is unable to make the full amortized annual payment, and if he is pursuing the plan of farm reorganization with due diligence.

Q. 16. If the owner sells the farm before the repayment in full of the loan, what is the status of these "contributions" by the Department?

A. 16. This agreement with respect to credits of principal and interest upon the borrower's indebtedness will not be assignable or accrue to the benefit of any third party without the written consent of the Secretary. The Secretary will have the right, at his option, to cancel the agreement upon the sale of the farm or the execution of any lien given to the Secretary; or he may refuse to release the Government's lien except on the payment of all original principal plus accrued interest if he determines that a release of the lien would benefit a person not eligible to receive such benefits.

Q. 17. Can loans be made for the purchase or development of land?

A. 17. Yes, when the land is needed to enlarge a farm or development such as clearing, draining, fencing, or terracing to enable the family to repay their housing loan.

Q. 18. Is there any assistance available to the owner whose unit is not now an economic unit, and seems unsuitable for development into an economic unit within the 5-year maximum allowable period?

A. 18. Yes. Section 504 (a) provides for assistance in the form of special loans and grants to owner occupants for farm dwelling and building improvements in order to make his dwelling safe and sanitary and remove hazards to the health of the occupants, his family, or the community, and for repairs to farm buildings in order to remove hazards and make such buildings safe.

Q. 19. For what purposes can such loans and grants be made?

A. 19. Loans and grants can be made to make roof repairs, provide toilet facilities, arrange for a sanitary water supply, provide structural supports, or make similar repairs.

Q. 20. How large may such loans and grants be?

A. 20. Such assistance is limited to a maximum of \$1,000 to any one person of which no more than \$500 may be in the form of grants.

Q. 21. What protection is given the borrower against losing his farm if he cannot meet payments on the housing loan?

A. 21. If the farmer cannot meet his payments because of circumstances beyond his control, the Secretary may grant a moratorium for as long as necessary. In cases of extreme hardship, interest may be canceled during the moratorium.

Q. 22. Do the research sections of title IV include provisions for research in farm housing?

A. 22. A separate section (506) has been set up under title V to provide for farm research and technical services. This is to further permit the Secretary of Agriculture to have over-all supervision of

the entire rural phases of this housing act. Section 506 authorizes the Secretary to furnish, without charge, or at such charges as he may determine, technical services such as building plans, specifications, construction supervision and inspection, and any necessary advice or information on rural dwellings or other farm buildings.

Q. 23. Do veterans have preference for the services under this act?

A. 23. Yes; section 507 provides for preference to veterans and families of deceased servicemen. The section defines a veteran as one who served in the military or naval services during any war between the United States and any other nation, and received a discharge other than dishonorable. "Deceased servicemen" are defined as persons who died in service prior to the end of the war.

Q. 24. What use is made of county committees in administration of the act?

A. 24. The committees certify as to the eligibility of the applicants and the adequacy and reasonable value of the farms. The county committees already active in the Farmers Home Administration program will perform this service.

Q. 25. What further powers are given the Secretary under this act?

A. 25. The Secretary shall, within the limitations set up in the act itself, determine and prescribe the standards of adequate farm housing, individually and by localities. He must take into consideration such factors as the best type of housing to provide decent, safe, and sanitary dwellings; the type and character of the farming operations; and the size and earning capacity of the land. Further, the Secretary may require the borrower to agree that any improvements so provided shall not be used as justification for increasing the cost of rent or otherwise changing terms of any lease he may have with tenant or sharecropper residing therein, to the disadvantage of the resident, without prior approval of the Secretary's office.

Q. 26. List the appropriations which may be made under this act.

A. 26. The Secretary may issue notes and other obligations for purchase by the Secretary of Treasury in such sums as Congress may, from time to time, determine to be used for making loans under this act. This sum cannot be in excess of \$25,000,000 for the 12-month period beginning July 1, 1949, an additional \$50,000,000 for the 12-month period beginning July 1, 1950; an additional \$75,000,000 for the 12-month period beginning July 1, 1951; and an additional \$100,000,000 for the 12-month period beginning July 1, 1952. There is also authorized to be appropriated an additional amount for loans and grants made pursuant to section 504 which shall be no more than \$2,000,000, \$5,000,000, \$8,000,000, \$10,000,000, respectively, for the years 1949, 1950, 1951, and 1952; plus such further sums as may be necessary to carry out the provisions of this title.

Q. 27. What about contributions?

A. 27. In connection with loans made pursuant to section 503, the Secretary is authorized to make commitments for contributions not to exceed \$500,000 per annum for 5 years on or after July 1, 1949; and this amount shall be progressively increased on July 1, 1950, 1951, and 1952 to \$1,000,000, \$1,500,000, and \$2,000,000, respectively, or a total of \$25,000,000. There is authorized to be appropriated sufficient funds to make payments on notes issued by the Secretary covering

contributions made pursuant to section 503. These appropriations will not constitute an additional appropriation but will repay the Treasury the amounts that will not be forthcoming through collections because of the contribution provisions of the act.

Q. 28. Who does the work under the new legislation?

A. 28. The act authorizes the Secretary to extend financial assistance through the Farmers Home Administration. Economic research in farm housing is handled by the Bureau of Agricultural Economics. Technical assistance and advice in farm housing are provided by extension service. Technical research studies will be made by the Agricultural Research Administration.

Q. 29. How does the Farmers Home Administration perform its functions under the act?

A. 29. The loan and grant program is handled in each county by Farmers Home Administration committees and Farmers Home Administration county supervisors. It operates in conjunction with the agency's other lending programs, and the county staff has been increased only to the extent necessary to handle the increased work load. In the 40 Farmers Home Administration State offices, additional construction engineers and farm appraisers have been added to provide such needed service on a State-wide basis, while in the national office a small staff of engineers and farm housing specialists has been formed.

BRIEF SUMMARY OF THE HOUSING ACT OF 1949

SHORT TITLE AND DECLARATION OF NATIONAL HOUSING POLICY

The short title of the act is the "Housing Act of 1949."

Section 2 of the act establishes national housing objectives and the policies to be followed in attaining them. The declaration states that—

the general welfare and security of the Nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth, and security of the Nation.

The act provides that private housing enterprise shall be encouraged to serve as large a part of the total need as it can; that local public bodies shall be encouraged to undertake positive programs to assist the development of well-planned residential neighborhoods, the development and redevelopment of communities, and the production at lower costs of housing of sound standards of design, construction, livability, and size for adequate family life; and that governmental assistance shall be given to eliminate substandard and other inadequate housing through the clearance of slums and blighted areas, to provide adequate housing needed for urban and rural nonfarm families of low incomes where such need is not being met through reliance solely upon private enterprise, and to provide decent, safe, and sanitary farm dwellings and related facilities where

the farm owner demonstrates that he lacks sufficient resources and credit to provide such housing.

The act requires the Housing and Home Finance Agency, and any other departments or agencies of the Federal Government having functions with respect to housing, to exercise their functions consistently with these national housing objectives and policies and in such manner as will encourage and assist (1) the production of housing of sound standards of design, construction, livability, and size for adequate family life; (2) the reduction of the costs of housing without sacrifice of such sound standards; (3) the use of new designs, materials, techniques, and methods in residential construction and the increase of efficiency in residential construction and maintenance; (4) the development of well-planned residential neighborhoods and the development and redevelopment of communities; and (5) the stabilization of the housing industry at a high annual volume of residential construction.

TITLE I—SLUM CLEARANCE AND COMMUNITY DEVELOPMENT AND REDEVELOPMENT

This title authorizes the Housing and Home Finance Administrator to make loans and grants to localities to assist locally initiated, locally planned, and locally managed slum-clearance and urban redevelopment undertakings. A local public agency would, after public hearing, acquire (through purchase or condemnation) a slum or blighted or deteriorating area selected in accordance with a general city plan for the development of the locality as a whole. The local public agency would then clear the land and make it available, by sale, or lease, for private or public redevelopment or development in accordance with a predetermined local redevelopment plan for the area.

The act authorizes \$1,000,000,000 in loans over a 5-year period. Advances of funds would be available to finance the planning of local projects, and temporary loans for the acquisition and clearance of land, and the preparation of the land for reuse; these loans would be repayable when the land is sold or leased for redevelopment. Long-term Federal loans would be available to refinance the portions of the sites which are leased and may be secured by the rentals from the leased land or other appropriate security.

The act also authorizes \$500,000,000 in Federal capital grants over a 5-year period, in order to help meet the loss involved in connection with slum clearance operations. This loss would be shared on a 2 to 1 basis—the Federal Government making up two-thirds of the loss and the local government making up one-third. Thus, the Federal capital grants may not exceed two-thirds of the losses on all clearance projects undertaken in any one locality with capital grant assistance. The local public agencies may provide their share either in cash or through the provision of parks or schools or other public facilities necessary to serve or support the new uses of land in the project areas, the installation of streets, utilities, and other site improvements, or the use of municipal labor and equipment to clear a project area. While

Federal loan assistance is available for projects involving open land, no capital grants may be made for such projects.

Federal assistance would be available to defray the costs of acquisition and clearance of slum areas and the preparation of the sites for redevelopment; none of the funds would be available for building construction on the cleared sites, except that, in connection with the development of open or predominantly open areas, provision is made for temporary loans (repayable in not to exceed 10 years) for schools or other public facilities necessary to serve or support the new uses of land in the area.

As a further condition to Federal aid there must be a feasible method for the temporary relocation of families displaced from the project area and the permanent provision of decent, safe, and sanitary dwellings at prices and rents within the financial means of such families. (First preference to such displaced families of low income is required in public housing projects assisted under title III of the act.) The demolition of residential structures in connection with slum clearance projects is prohibited until July 1, 1951, if the local governing body determines that it would create undue housing hardship in the locality.

Not more than 10 percent of the funds provided for loans or grants may be expended in any one State.

TITLE II—AMENDMENTS TO NATIONAL HOUSING ACT

This title (pending further action by the Congress) provides for temporary extensions (through August 31, 1949) of FHA's title I and section 608 mortgage insurance operations; also for a \$500,000,000 increase in its title II insurance authorization. The extensions under title I relate to small loans for alteration and improvement and new construction and under section 608 to rental housing. The increase in insurance authorization applies to all types of housing under title II, owner-occupied, small and large scale rental and sale housing, including cooperative housing.

TITLE III—LOW-RENT PUBLIC HOUSING

This title amends the United States Housing Act of 1937 by authorizing Federal contributions and loans for local programs involving not to exceed 810,000 additional units of low-rent public housing over a 6-year period. The Public Housing Administration may authorize local authorities to commence construction of 135,000 units each year. The President, however, is authorized to accelerate the program to not more than 200,000 units per year or to retard the program to not less than 50,000 units per year, subject to the total authorization of 810,000 units, if he determines, after advice from the Council of Economic Advisers, that such action is in the public interest.

Federal annual contributions may not exceed the amounts which, with the required local tax exemption, are necessary to make up the difference between the rents which the low-income families can afford to pay and the annual costs incurred in the operation of the projects,

including interest and amortization of all capital borrowings. In no event may they exceed the aggregate annual contributions authorization, reaching a maximum rate of \$308,000,000 per year after the total program is in operation.

The act authorizes a total of \$1,500,000,000, available as a revolving fund, to be used for loans, primarily for construction advances or commitments pending permanent financing through sale of bonds on the private market.

The act reduces the maximum period for loans and annual contributions from 60 to 40 years and adjusts the basis for Federal contributions in accordance with the increased annual amortization requirements.

Provisions in this title strengthen the statutory safeguards to assure that occupancy of projects is limited to low-income families in need of adequate housing. As in the past, annual incomes of families on admission may not exceed five times the rent, including utilities, but the act recognizes the needs of larger families by exempting from income \$100 per year for each minor dependent. The title further requires local authorities (1) to establish upper rental limits for admission to projects at least 20 percent below the lowest rents at which private enterprise unaided by public subsidy is providing an adequate supply of decent housing in the respective localities, (2) to provide maximum income limits for admission and continued occupancy, (3) to require the removal of families found to be ineligible as the result of periodic reexaminations of tenant incomes, (4) not to discriminate against welfare cases, and (5) subject to specific preferences stated below, to give preference to families having the most urgent needs. In determining the eligibility of families for continued occupancy, the local housing authorities may exempt \$100 for each minor or any part of the income received by minor members of the families (since such income normally will be available to the tenant families only for a short period).

Families who are otherwise eligible and who are displaced or are about to be displaced by public slum clearance, redevelopment, or low-rent housing projects will be given a first preference for admission to low-rent housing. Among such displaced families, veterans with service-connected disabilities have first preference, families of deceased veterans and servicemen whose death was service-connected have second preference, and other veterans or servicemen have a third preference. As among families who have not been displaced by slum clearance, preference shall be extended to veterans and servicemen and among such families, veterans with service-connected disabilities have first preference and families of deceased veterans and servicemen whose death was service-connected have second preference. These preferences are extended to veterans and servicemen of World War I and World War II.

The act fixes the limitation on the cost of construction and equipment of dwelling facilities to \$1,750 per room. An increase in this cost limitation of not more than \$750 per room is authorized in areas where it would not be feasible without such increase to construct sound housing. In no event may a project be undertaken which is of elaborate or extravagant design or materials.

The act repeals existing equivalent elimination requirements, but substitutes a requirement that no financial assistance (other than preliminary loans) shall be made available for any low-rent housing project unless the governing body of the locality involved agrees that there will be eliminated, within 5 years after completion of the project, unsafe or insanitary dwellings substantially equal in number to the number of newly constructed dwelling units provided in the project. Under the old requirement only one unsafe or insanitary dwelling unit could be counted, even though it may have accommodated several families. But under the new formula, if more than one family is living in an unsafe or insanitary dwelling unit the elimination of such unit shall count as the elimination of units equal to the number of families accommodated. The elimination requirement does not apply to rural nonfarm housing projects or to any public-housing projects located on a slum site that has been cleared for urban redevelopment under title I of the act. The Public Housing Administration may defer beyond 5 years the required elimination in any locality or metropolitan area where there is an acute shortage of decent, safe, or sanitary housing available to families of low income.

TITLE IV—HOUSING RESEARCH

This title authorizes the Housing and Home Finance Administrator to undertake and conduct technical research and studies which will promote reduction in housing construction and maintenance costs and stimulate the increased production of housing.

The research may also be concerned with improved building codes; standardized dimensions and methods for the assembly of home-building materials and equipment; improved residential design and construction; new types of materials, equipment, and construction; and may relate to appraisal, credit, housing needs, demand and supply, land costs, use and improvement, and related technical and economic research. The Administrator shall also prepare estimates of national housing needs and encourage and assist localities to make studies of their own housing needs and markets and plans for housing and community development.

The Administrator shall utilize to the fullest extent feasible the available facilities of other Federal agencies and is authorized to undertake research and studies cooperatively with industry and labor and with State or local governments, educational institutions, and other nonprofit organizations.

TITLE V—FARM HOUSING

The Secretary of Agriculture is authorized to extend financial assistance to farm owners to enable them to construct, improve, or repair farm housing or other farm buildings as follows:

1. Loans up to 33 years at not to exceed 4-percent interest, to owners who are unable to finance adequate housing or other needed building improvements for themselves or others working on the farms.
2. Similar loans, supplemented by annual contributions, to owners whose incomes are not now capable of repaying a housing loan, but which may be sufficiently increased through a satisfactory program

of enlargement, improvement, or adjusted farm practices. The subsidies, applied as a partial credit on interest and principal payments, could not be made available to an owner for more than 5 years and, in the aggregate, could not exceed \$5,000,000 annually after the third year of the program; lesser amounts would be authorized for the earlier years.

3. Loans and grants for minor improvements and minimum repairs to farm dwellings and buildings on farms. The amount available would be limited to \$1,000 to any one individual, of which the grant portion could not exceed \$500.

4. Loans to encourage adequate family-size farms where a farm needs enlargement or development in order to provide income sufficient to support decent, safe, and sanitary housing and other farm buildings.

This title authorizes loans aggregating \$250,000,000, contributions for a period of 5 years not exceeding \$5,000,000 per year, and loans and grants for a period of 4 years totaling \$25,000,000 for minor improvements and land purchases or development.

TITLE VI—MISCELLANEOUS PROVISIONS, HOUSING CENSUS

Among the miscellaneous provisions in the bill, the Director of the Census is directed to take a census of housing in 1950 and decennially thereafter.

This title amends and supersedes existing provisions for the conversion of eligible State-aided low-rent or veterans' housing projects to low-rent housing assisted under the United States Housing Act of 1937.

The National Banking Act is liberalized with respect to the authority of national banks and State member banks of the Federal Reserve System to purchase or underwrite certain obligations of local public-housing and slum-clearance agencies.

This title also restores the right of the National Capital Housing Authority (which is the low-rent public-housing agency for the District of Columbia) to acquire sites within the District of Columbia for low-rent public-housing projects.

The District of Columbia is also authorized to participate, on the same bases as other authorized localities, in the slum-clearance and urban-redevelopment benefits authorized in title I of the act, but no loans or grants under title I may be extended for the District of Columbia, with respect to any project for which Congress, after being presented with a budget estimate to make an appropriation under provisions of the District of Columbia Redevelopment Act, makes no funds available.





